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# ***LEGISLATION AND POLICIES***

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## **Security Cooperation: Perspective Is Everything!**

**By**

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Director, DSCA**

[The following opening remarks were presented to the 2000 Security Cooperation Conference by Lieutenant General Davison, on 10 July 2000.]

We have chosen as our conference topic “Perspective is Everything”. The dictionary lists one of the definitions of perspective as the “the faculty of seeing all the relevant data in a meaningful relationship”. For the next two and one-half days we are going to talk a lot about “Perspective.” This morning, I’d like to start by offering my perspective on how far we’ve come and where we should go in improving our products and services.

A favored topic of the past decade has been: “How do we change the way we do business from the old Cold War strategy to the new global strategy?” We spent close to one-half century locked into a cold-war strategy. Then, almost unexpectedly, and clearly unanticipated, we found ourselves thrust into thinking about a global strategy. At the same time, we have had to struggle with the mind-boggling changes in technology which seem to come at us with warp speed. And, I might add, we have taken on some entirely new missions any one of which could be described as major. It is with pride that we have become stewards of the Humanitarian Assistance and Demining Program, the Warsaw Initiative, and the Enhanced International Peacekeeping Capabilities Program. I would like to discuss today how we in the security cooperation business have approached these shifts in paradigm while meeting the new challenges presented to us.



We all know the adage “One man’s trash is another man’s treasure.” How else can we explain the phenomenal, and cult-like popularity of programs such as, “The Antiques Roadshow” and “This Old House?” Who can resist the suspense experienced while waiting to find out whether that old vase from grandmother’s attic is just a flower holder or is a priceless antique? And isn’t it amazing to watch the restoration of a dilapidated structure into an historic landmark? Just as exciting to us in the security cooperation community are our EDA efforts. Just imagine the excitement if you could tune into “The Excess Defense Articles Roadshow!” Imagine the

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anticipation, the excitement, and the “wows” when a newly upgraded and re-wired F-16 wearing its new national colors is displayed for the first time. We would be just as amazed to see this old house (airplane) come to life with refurbishment and restoration.

With the shift in paradigm from Cold War to global strategy and the attempt to stay up with technological advances, most of us are facing the reality of having to tear down our “old houses” and build completely new ones. And often we are finding that our old treasures were anything but priceless. In security cooperation, we have been able to capture the treasures of our old house. With refurbishment, a.k.a. reinvention, we are building a house that not only is much better than the old one but also serves us extremely well in the new global environment. In addition, we have found we have many priceless possessions that continue to serve us well.

I don’t know how many of you have ever undertaken a major restoration or remodeling project. My experience has been that the project always takes more than was originally anticipated. Whether you are an avid do-it-yourselfer or all thumbs with a hammer and nails, if the job is big enough, eventually you have to bring in the experts. The architects, engineers, landscapers, refinishers, electricians, plumbers, roofers, and interior designers, all look at a project from a different perspective, a different point of view. And while they all are working toward the same goal of creating a masterpiece, all the pieces must fit together in harmony to achieve the solid end product with a finished look. And, perhaps most importantly, the plans are the key to the successful integration of all the elements. They provide the ability to see all the relevant data in a meaningful way they give the perspective to succeed!

And so it is with security cooperation. Early on, we decided to bring in you, the experts: industry, foreign customers, the military departments, country program directors, our colleagues in other government agencies. Each of you has brought your expertise to the task. In a moment, I will talk about the plans we have used to provide the perspective through our white papers.

Using the old security assistance frame we are remodeling and redesigning an aging security assistance framework into an upgraded modern security cooperation organization. We are proving that an outdated Cold War bureaucracy can be streamlined and revitalized through responsible stewardship. It is all in how you view the task. Learning to see the Taj Mahal in the framework of a graying but structurally strong old building. Working together, we continue to produce the initiatives that provide us with the coordinated perspective to bring security cooperation into this new millennium.

When I came to the then Defense Security Assistance Agency three years ago, forces outside the world of foreign military sales were already propelling the Agency beyond its traditional boundaries. Shrinking federal budgets, internal DoD reorganization, limited foreign assistance funding, and a perception that FMS was obsolete forced us to look for new ways to do more, better, and with fewer resources and tools. A shrinking global arms market spawned increasing competition between the world’s defense suppliers. A low point came in late 1997 when elements of the news media characterized the foreign military sales system as “Wrapped in Red Tape.” To compete, perhaps even to survive, we had to forge new a new perspective, both internally and externally.

In response to this changing global environment, we embarked on a voyage of self-evaluation, self-scrutiny. We took a long hard look at how we were doing business, why we were doing business, and whether we were doing business in a way that was effective for our stakeholders

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and customers. We did this while keeping in sight the fact that security cooperation is a tool of U.S. foreign policy that has as a primary goal, furthering national security objectives. Security cooperation enables us to cement military to military relationships, promote our forward presence, foster military cooperation through interoperability, promote stability with regions, manage regional crises, and deter aggression against our friends and allies.

During this period, we launched two major efforts foreign military sales reinvention and strategic planning. Both projects required us to identify our stakeholders, define our mission, vision, and values, and change our core assumptions about ourselves as an organization. We changed our perspective and sought the perspectives of others. In the process we changed not only our perspective but how others viewed us as well.

We found that we were accountable to many stakeholders, both in and out of government. We learned that our stakeholders' perceptions of us depended on at least two factors:

- How they came into contact with the system
- What they wanted changed depended on what part of the system they needed

Further, we found their satisfaction depended on their expectations of the system

As we proceeded with reinvention and strategic planning, one thing that became increasingly clear to us is that our stakeholders, our customers, require a professional security cooperation workforce. We agree! In response, we created, and recently received approval for, a new certificate program. I am proud to announce our new "Defense Security Cooperation Certificate Program" which will be sponsored by the Defense Institute of Security Assistance Management. This new program not only provides the opportunity to obtain the professional development and training our security cooperation workforce deserves, it strengthens our security cooperation community.

And one thing we can all agree on is that we all have a vested interest in the success of security cooperation! Implementation of the Defense Security Cooperation Certificate program exemplifies this commitment!

In our continuing systematic approach to FMS reinvention and strategic planning we have defined our tasks into seven major areas; four of them are external and three are internal. The four external efforts are:

- Reengineering the FMS process to meet customer needs
- Maintaining security assistance trust fund solvency
- Maintaining solvency of customer trust funds
- Ensuring the continued viability of the program

The three internal efforts are:

- Implementing the DSCA Strategic Plan
- Completing the DSCA Business Performance Plan
- Developing and fielding the Defense Security Assistance Management System

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I will focus my remaining remarks in the reinvention area. The other areas will be discussed in the various breakout groups. Alternatively, members of the DSCA staff are available to respond to specific questions.

FMS reinvention comprises a series of activities designed to ensure that the security cooperation community can address the concerns and interests of our stakeholders. The reinvented FMS system will be designed to reduce business cycle times, improve customer satisfaction and participation, decrease resource consumption, improve the U.S. government's competitiveness and reputation, and maintain security cooperation as a credible method for projecting U.S. interests around the world.

In May 1998, then Deputy Secretary of Defense John Hamre stood up a U.S. government Integrated Process Team to address FMS reinvention and to work with the Defense Policy Committee on Trade. A wide range of Office of the Secretary of Defense (OSD), Military department, and industry associations then participated in a series of roundtables to develop an intellectual framework for reinvention, otherwise known as the white papers, which identified a starting point for the reinvention effort. You can find copies of the White Papers on our website at [www.dsca.osd.mil](http://www.dsca.osd.mil).

These papers covered issues related to process transparency, pricing, finance and U.S. cost recovery, and arms and technology transfer. A fourth paper outlining reinvention strategy is in staffing. Over the past year, some of the recommendations in the papers have been modified; however, a good number of them have been implemented!

You must remember that, over a 40-year span, the security assistance house has been built room-by-room. Each room, each remodeling, each renovation responded to a perceived problem or changes in one of the many institutions that participate in the process and reflected the perspective of the time. We have learned that every time you go in to map out a project, it affects other parts of the frame. Maybe the bracing wall isn't strong enough to take the stress of an addition, perhaps we decreased the size of an important room to accommodate a larger view somewhere else. Taking an action to address a customer concern may result in a negative effect for U.S. industry and vice versa. We've also had to take care not to intrude into the personal space of other organizations. Because security cooperation crosses into the acquisitions/contracting, finance and accounting, military departments, logistics and a host of other functional areas, developing a consensus in support of changes in practice has been a daunting task. I'm pleased to say that much of the original resistance has dissipated and we're now working together.

For example, in the area of transparency we are increasing customer involvement in the contracting process, have engaged customers in reinvention, and are working to foster greater offset visibility. In the area of pricing, we reduced the FMS administrative fee from 3 percent to 2.5 percent while maintaining the solvency and security of the FMS trust fund. We've issued new policy guidance on the use of firm fixed price and not-to-exceed priced letters of offer and acceptance. In the area of financial management, we reduced our shipped/delivery not reported backlog by \$5 billion. We also have recorded a 20 percent drop in open supply complete cases. Beginning June 1st, we have initiated a one-year test of a new FMS hybrid process for requisitioning secondary items using a country-contracted commercial buying service with the Australian, Norwegian, and Netherlands navies. In addition, we are working with U.S. government entities to explore ways of lessening the up-front burden on FMS case payment schedules, to include alternatives for termination liability prepayment requirements.

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To resolve a tremendous gap in communication, we formed staff level and high level groups made up of representatives from the military services, DLA, DCMA, and DFAS to steer the reinvention effort. The staff group, known as the Reinvention Working Group, develops and implements initiatives approved by the GO/SES level Executive Steering Committee. We have managed to consolidate and prioritize over one hundred reinvention activities across the military services and defense agencies, and are now implementing the results. The areas we currently are focusing on are budgeting and resource management, U.S. government/U.S. industry cooperation, metrics, case closure, the FMS rate structure, roles and responsibilities, training, administrative vs. program management lines, and rewriting the *Security Assistance Management Manual*.

The Foreign Procurement Group, comprised of eighteen countries, opened the door for us to attend their monthly meetings. We are taking advantage of this, and as a result, have established a very positive line of communication enabling us to understand and address customer concerns on a real-time basis.

And so I'd like to stress to you that the foreign military sales system is far from being obsolete. In FY99, we reached \$12.2 billion in sales, exceeding our own estimate of \$10.8 billion. Our projections for the next several years are fairly strong. For FY01 and beyond, we believe that sales levels will remain fairly stable, barring unanticipated economic downturns or regional conflicts. Also, FMS is poised to be a key player in the NATO Defense Capabilities Initiative. This initiative is designed to ensure that the NATO alliance has conventional military forces designed and equipped to meet 21st century requirements. I believe that these examples reflect the confidence of foreign customers in the ability of U.S. military equipment and in the FMS system to deliver.

You will hear and discuss more about the progress in FMS reinvention and how all our business areas are supporting this effort during the panels going on today and tomorrow.

I leave you with an important consideration: As we build the new security cooperation architecture, we must not build a house of cards. We must keep focused on our collective perspective and smartly utilize all available tools to continue to refurbish our ever-solid structure. I rest assured that my successor, Lt. General Tome Walters, USAF, will continue the hard work of strengthening security cooperation! I wish him well! He clearly brings with him the credentials of fine leadership. He currently is completing his assignment as the Principal Assistant Deputy Undersecretary of the Air Force for International Affairs in the Pentagon where he has been responsible for formulating and integrating U.S. Air Force policy with regards to politico-military affairs, security assistance, technology and information disclosure issues, and attaché affairs. I know you join me in welcoming him aboard and that you will give him the same dedication to the important security cooperation reinvention initiatives that you have given to me.

And I challenge you, the community leaders and security cooperation personnel at large, to continue to be innovative and to apply new ideas. You are fortunate to be working with a solid structure but you cannot relax. You must be ever vigilant for opportunities to continue to upgrade the structure and be responsive to the effect the changing global environment places on us in the security cooperation community.

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## About the Author

Lieutenant General Michael S. Davison, Jr., was born in El Paso, Texas. He was commissioned in the Army from the United States Military Academy in 1964.

General Davison's military education includes the British Army Staff College and the National War College. He also earned a Master of Science degree in foreign affairs from Georgetown University in 1971.

His initial assignment was with the 3rd Squadron, 2nd Armored Cavalry in Amberg, Germany, where he served as a platoon leader and later as troop commander. In 1967, he joined the 1st Cavalry Division (Airmobile) in Vietnam, where he was first an operations officer in the G-2 section, and then commanded a rifle company in the 5th Battalion, 7th Cavalry. He returned to Vietnam in 1971 as a battalion advisor to the Vietnamese Airborne Division.

From 1973 to 1976, General Davison was a course director in the Department of Military Instruction at West Point and also supervised the Armor Orientation Program there. He returned to Germany in 1977 and served in the 3rd Infantry Division at Schweinfurt, where he was executive officer and then commander of the 3rd Battalion, 64th Armor Brigade from 1979 to 1982. General Davison rejoined the 3rd Infantry Division in 1985 to command the 2nd Brigade in Kitzingen until 1987. During 1988, he served as the Chief of Staff, 3rd Armored Division in Frankfurt.

From 1989 to 1991, General Davison served as Assistant Division Commander, 5th Infantry Division (Mechanized), Fort Polk, Louisiana; he was then assigned as Deputy Commanding General for Training, Combined Arms Command, Fort Leavenworth, Kansas, from August 1991 to July 1992. Assigned to USCENTCOM, General Davison served as the Chief, Office of Military Cooperation, Cairo, Egypt, from 1992 to 1994. He next commanded the U.S. Army Security Assistance Command from July 1994 to August 1997.

General Davison's assignments at the Pentagon included duty on the Army Staff as a Force Integration Officer; Deputy Director, Army Deep Attack Program; and Director of Requirements and Integration for Combat Maneuver and Logistics. He also served as Assistant, DCSOPS, HQ U.S. Army Europe in Heidelberg, Germany.

He assumed his current duties as Director, Defense Security Cooperation Agency, Office of the Secretary of Defense, on 18 August 1997.